GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2288
ANSWERED ON:14.03.2008
MECHANISM TO CHECK BANKING FRAUDS
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Will the Minister of FINANCE be pleased to state:

(a) whether t`here is any mechanism to check the frauds being committed in nationalized banks;

(b) if so, the details thereof; and

(c) if not, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a)& (b) Yes Sir. Reserve Bank of India (RBI) as a part of its supervisory process has been sensitizhg banks from time to time about common fraud prone areas, modus operandi of frauds and measures to be taken by them to prevent/reduce the incidence of frauds in barus.. As per the guidelines issued by RBI from time to time to banks, as also as per their internal policies, banks have been taking various measures to check/prevent frauds. Some Df the measures are as under:

Introduction of proper systems and procedures within the bank to eliminate the possibilities of frauds.

Introductioi of a system of concurrent audit.

Review of working of internal inspection and audit machinery in banks by the Audit Committee of the Board of Directors.

Constitution of Special Committee of the Board exclusively for monitoring of large value frauds of Rs.1 crore and above.

Examining staff accountability and instituting disciplinary action against the staff involved in frauds.
Further, a computerized Fraud Reporting and Monitoring System (FRMS) has been introduced by RBI to enable banks to report data relating to frauds in electronic form.

(c) Does not arise.